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SECOND CLASS

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Target Jazzes Up Promo Attack

New Marketing VP Taps Celebrities For Store Openings, Special Events

'My momma showed me . . . the place to shop around. Ya, shop around.'

—from "Shop Around," by Smokey Robinson

MINNEAPOLIS — Demonstrating the style of its new vice president for marketing, John Pellegrene, Target is using The Judds, a country music duo singing their hit song, "Shop Around," to promote the reopening of its former Gold Circle stores in the Southeast.

In addition, the $6 billion discounter will feature the name of Antarctic explorer Will Steger on a signature line of winter sports gear, much like K mart took on Martha Stewart for domestic products and Jaclyn Smith for apparel. Target is also co-sponsoring Steger's 1990 expedition to the Antarctic.

John Pellegrene

Target's radio and TV spots to promote the chain's South Atlantic store openings will feature singers Naomi and Wynonna Judd. Target is also sponsoring explorer Will Steger's trek to the South Pole.

Among recent celebrity promotions, Target last month featured The Jets, an MCA recording group, in radio and TV spots (see apparel marketwatch, page 32). In a promotional tie-in, the seven singers in the group wore Gitano clothing in the TV spot, filmed in Hawaii to resemble a music video.

Last Christmas, Target featured rhythm and blues singer Aretha Franklin in its radio and TV spots (see *DSN*, Nov. 21, 1988, page 1). For print advertising, Target used Keshia Knight Pulliam, who plays Rudy on "The Cosby Show."

That is the kind of promotional image Pellegrene has been stamping on Target since he transferred nine months ago from its parent company, Dayton Hudson.

(Continued on page 97)

Brand 'Boutiquing' Blasts Off

Ames, Venture, Stuarts Pick up on Caldor's Shop Concept

By Kenneth M. Chanko

NEW YORK — The upscaling of apparel merchandise presentations at discount stores is spreading like wildfire, and image-conscious vendors are fanning the flames.

Having registered spectacular early results from its shop-within-a-store at a Long Island Caldor unit in East Patchogue, N.Y., The Gitano Group is going forward with more women's wear shops at other discounters and mass merchants. By the end of July, there will be 25 to 30 Gitano women's wear shops at, among others, Ames, Venture and Montgomery Ward.

Caldor will add the 1,500-square-foot to 1,800-square-foot Gitano shops in 10 more units in Long Island, northern New Jersey and southern Connecticut, in time for the back-to-school season.

"The sales results have exceeded our expectations in East Patchogue and for back-to-school we are entering a diversified testing mode," said Marc Balmuth, Caldor's president. "If successful, we'll roll it out chainwide."

Gitano's shop concept at the discounter level is only the most sophisticated and visible of many changes being implemented in apparel departments across the country.

(Continued on page 31)

K mart's Sports Giant Steps to Plate

Ceo Charles White comes out swinging on opening day at K mart's Sports Giant. (DSN photo)

By Richard C. Halverson

MADISON HEIGHTS, Mich. — After a delay of several months, K mart opened earlier this month the first test unit of Sports Giant, its new sporting goods membership warehouse club.

The second of two test stores will open in mid-May in nearby Livonia, Mich.

K mart built both 50,000-square-foot stores just a few miles from its Troy, Mich., headquarters. But like Office Square, K mart's entry in the office supplies warehouse derby, Sports Giant will report to San Antonio, Texas, headquarters for Builders Square.

In a bid to keep overhead low, Sports Giant and Office Square both share computer systems and support services, such as personnel and construction, with Builders Square, K mart's home center subsidiary.

Frank Denny Jr., son of Builders Square

(Continued on page 97)

IMRA to Light Up Orlando

With a retail scene nearly as hot as its often oppressive weather, Orlando is a lot more than just the site of America's most popular family entertainment mecca. This central Florida vacation center is one of the fastest growing cities in the United States and discounters here operate some of their most up-to-date stores. *DSN* explores discount retailing in Orlando and previews the International Mass Retail Association's 1989 annual convention, see page 35.

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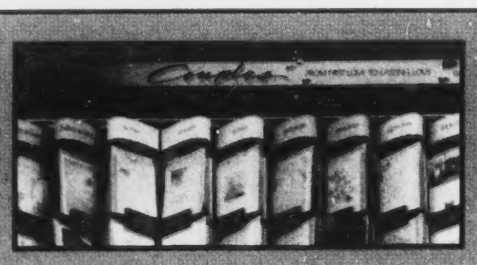

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Senate Acts: Passes $4.55/Hour Minimum Wage Bill — page 2

MARKETWATCH

Carrefour Plans to Build Despite Zoning

PHILADELPHIA — Carrefour has filed a plan to build a hypermarket in Brookhaven, N.Y., despite the township's recent rezoning of the 68-acre site from commercial use to only residential and office use. The French company, without citing a reason, has asked the township to issue an exemption to the new zoning designation for the site, which Carrefour bought in 1986 for $18.2 million as the home for its second store. Community opposition to Carrefour promoted the zoning change. Still pending in federal and state courts are Carrefour's $25 million lawsuits to overturn the zoning change.

Witmark Opens Western Michigan Unit

GRAND RAPIDS, Mich. — Witmark will open a 35,000-square-foot showroom in Battle Creek in September as its ninth store in western Michigan. The unit will co-anchor the Minges Brook Mall with Target. Separately, Witmark has added 10,000 square feet to its Muskegon, Mich., store, now 35,000 square feet, and the North Grand Rapid unit, now 40,000 square feet. Each has also been remodeled to the cataloger's mass display format for housewares, juvenile, sporting goods and consumer electronics.

The Wholesale Club Expands in Midwest

INDIANAPOLIS — The 18-unit Wholesale Club launched its 1989 expansion program by opening a store in Appleton, Wis., earlier this month, with a unit in Duluth, Minn., to follow next week. St. Paul, Minn., Grand Rapids, Mich., and Youngstown, Ohio, will get Wholesale Clubs later this year.

NACSM Officials Meet with President Bush

HAUPPAUGE, N.Y. — The National Association of Catalog Showroom Merchandisers, represented by its legal counsel Richard B. Kelly (left) and president Jean S. Coticchio (right), was among a group of trade and professional associations that met with President Bush and other administration officials to discuss issues of concern to small business. The Small Business Legislative Council coordinated the meeting last month in the White House.

Judge Sets Trial Dates for HSN, GTE

ST. PETERSBURG, Fla. — Home Shopping Network's $1 billion punitive damage claim against GTE has been reinstated by Judge Howard P. Rivers, the Pinellas County judge who is handling the suits between the two firms due to go to trial June 5. Judge Rivers had first ruled that there wasn't enough evidence to support the punitive damage claim portion of HSN's suit. HSN is also suing GTE for $500 million for lost profits, alleging GTE knowingly provided poor phone service that prevented shoppers in 1986 and 1987 from calling HSN to buy merchandise. GTE is countersuing HSN.

Ward Buys Stake in Office World

CHICAGO — Montgomery Ward, the mass merchant that is fast remaking itself as a specialty store retailer, has purchased a substantial equity interest in Office World, the young discount office supply megastore chain. Financial details of the agreement were not released but Office World's president and chief financial officer Stanley A. Berg said that the Ward investment, coupled with an additional investment by Office World's current venture capital backers, more than doubles the company's current capitalization. Office World, with four stores in the Chicago area and a fifth slated to open in June in the Skokie/Niles, Ill., area, may take space for office supply superstores within select Montgomery Ward stores in the Chicago area and elsewhere. Office World's aggressive expansion plans call for the addition of 10 additional stores in 1989 in Chicago, Milwaukee, Minneapolis/St. Paul, Detroit and other markets. Said Bernard F. Brennan, chairman and chief executive officer of Montgomery Ward: "The investment in Office World is part of our strategy of further expanding into specialty retailing in an aggressive way. Office World superstores are complementary to our value-driven specialty store strategy."

FOR THE RECORD

Denta Plus is an electrosonic denture cleaner introduced at the Housewares Show. An article on new products at the show (*DSN*, Feb. 6) incorrectly described the device.

Senate Joins House in Approving $4.55/Hour Minimum Wage Rate

WASHINGTON — Congress continued on its minimum wage collision course with the Bush administration as the Senate approved an increase of $1.20 in the national wage floor, bringing it to $4.55 per hour.

The Senate legislation, which parallels a similar measure passed earlier this year by the House, sets the stage for a key congressional confrontation with the White House over domestic policy.

Although President Bush has endorsed a modest increase in the current $3.35 federal minimum wage, he has threatened to veto any legislation raising the hourly rate above $4.25. Significantly, neither the House nor the Senate approved their minimum wage bills by the two-thirds margin necessary to override a Presidential veto.

The approach backed by the administration calls for raising the hourly pay floor in three annual 30-cent stages until it reaches $4.25 in 1992. In addition, the President is demanding that Congress move to soften the "disemployment" effects of such an increase by approving a new sub-minimum "training wage" for new workers.

As explained to Congress by U.S. Secretary of Labor Elizabeth Dole, the administration's training wage plan would permit employers to pay newly hired employees the current $3.35 wage rate for their first six months.

In contrast, the proposal pushed through Congress by House and Senate Democrats calls for three 40-cent hourly increases, beginning Oct. 1, 1989, plus a watered-down version of the administration's training wage scheme. Under the congressional approach, the sub-minimum would apply only to workers who have never been employed before. Additionally, the training wage rates would be limited to the first 60 days on the job.

According to critics of that plan, however, such a training wage would be "next to useless." The only workers who would qualify for the sub-minimum rate are those who

(Continued on page 98)

Marshalls Buys 10-Store Branden's

Will Reopen Units as 'Superstores' with Expanded Selections

WOBURN, Mass. — Marshalls, the nation's largest off-price apparel chain, will purchase the 10-store Branden's chain and open the units as Marshalls prototype "superstores."

The sale of the Branden's division by Dayton Hudson Corp. is to be finalized next month, according to Marshalls officials. While the acquisition price was not disclosed, Marshalls will be purchasing all assets of Branden's, exclusive of merchandise. Members of the Branden's management team are being considered for positions at the refurbished Marshalls stores.

Six of the 10 Branden's stores—each approximately 50,000 square feet, larger than the average Marshalls unit—will be reopened by the fall. Five of the six stores are in Florida—South Miami, North Miami, Kendall, Jacksonville and Plantation—and the other is at the Town Center in Atlanta.

Marshalls' new and larger—or what the company calls "superstore"—units feature not only expanded departments, but several departments not found at traditional Marshalls.

All of the 318 Marshalls stores have misses and junior sportswear, dresses, Women's World (plus sizes), petites, lingerie, accessories, infants' and children's, big and tall, men's wear, footwear, domestics, jewelry and giftware departments.

The specialty department format of the superstores also feature, in addition to the above, women's contemporary, maternity, men's collection, suits, sportcoats and blazers, young men's, boys' team shops, fine jewelry and luggage departments.

"The new stores are located in markets where Marshalls has a strong presence with nearly 35 stores," said John Ingram, senior vice president for real estate, who added that "Marshalls is well accepted by the consumer in Florida."

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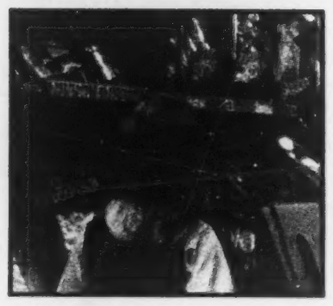

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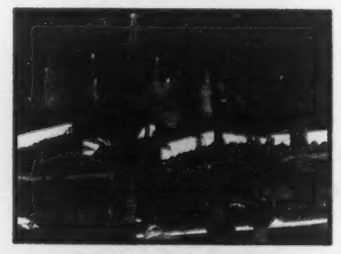

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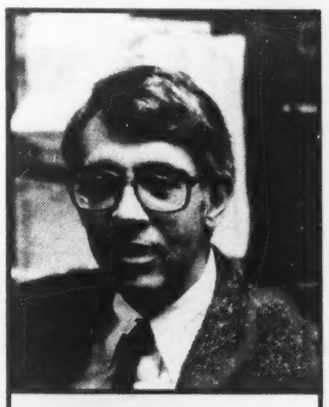
TAKING STOCK

ELECTRONIC RETAILING

Telaction Shorts Out; Interactive Lives On



ARTHUR MARKOWITZ
Senior Editor

Street smart merchants know there aren't any retail failures; there are only success stories or learning experiences. They also know that one retailer's "failure" is another merchant's success.

This wisdom applies to Telaction, the interactive cable TV shopping service that JCPenney just disconnected. So, what's the lesson to be learned from the Telaction experience?

Simply put: interactive teleshopping works, consumers used Telaction to buy merchandise. Telaction "failed" today, but if you look down the road you can see consumers, somehow and in some fashion, using TV to interactively shop for products they want, when they want to do so.

Telaction's "failure" wasn't due to the interactive concept but to JCPenney's wavering in its support of the venture once Telaction's key backer within the retailer exited the corporation. Other executives couldn't envision how JCPenney could be a "home" to the service.

If Telaction shows that interactive teleshopping works in at least the Chicago marketplace, then a recent Massachusetts Institute of Technology study provided more support for the concept. The study was sponsored by GTE, which wanted to learn more about the interactive shopping idea for its own Main Street shopping service. Diana Gagnon, who headed up the probe, reported at an Institute of Electric and Electronic Engineers consumer conference that study participants "overwhelmingly preferred" the interactive Telaction service over other electronic shopping formats.

The report's optimistic outlook was that "it appears that consumers may be ready for interactive video shopping. However, the features and design of these systems are vital to their success. If the correct formats are found, interactive shopping just may be the format of the future."

Gregory J. Liptak, president of Jones Intercable, which aired Telaction on its Chicago cable system, offered a view from that perspective. He warned the National Cable Television Association last year that interactive teleshopping "makes subscribers" lives easier, TV more usable and a basic cable subscription more valuable. If cable is ever to live up to its promise, we must go the interactive route."

Some practical insights on interactive shopping's potential were offered earlier this year at a Direct Marketing Association seminar by Donald Gordon, who headed up Telaction's consumer marketing effort. One benefit is that this format can provide retailers with specific marketing information by demographic groups, what products they looked briefly, or in detail, and what they bought.

An "electronic store," he added, can list items in multiple areas, vastly improving chances to sell a product. The data needed to help close a sale can be controlled, with more information offered for high-end merchandise and a few details provided for basic and lower priced goods.

Gee Bee Parent Files Chapter 11; Cites LBO Debt Servicing Costs

JOHNSTOWN, Pa. — A flood of costs to service leveraged buyout debt has inundated Glosser Brothers, operators of the Gee Bee discount store and Dollar Bargain closeout chains.

LBO debt service of $10 million to $11 million a year was "a big factor" behind Glosser's decision to file for Chapter 11 bankruptcy protection last month, said president and chief executive officer Thomas Zurilla.

In 1987, the latest year for which audited figures are available, debt service for a 1985 LBO dwarfed net profits of $1.6 million on sales of about $212 million.

Management took the chain private in 1985 in a $65 million buyout, Zurilla said, and owns 52 percent of the company.

Glosser still hasn't obtained audited results for the fiscal year ended Jan. 31, 1989, but Glosser sustained a "substantial loss" on flat sales of $212 million, Zurilla said.

Soaring interest rates, with the prime rate jumping to 11.5 percent over the past year, was another factor leading to bankruptcy, he said.

On the same day of filing, March 25, Glosser closed without notice one of its newest and largest stores, the 84,000-square-foot unit it had opened in Manassas, Va., in September 1987. Some 48 employees lost their jobs at the Washington, D.C., area store.

Glosser is also considering closing eight to 10 other Gee Bee and Dollar Bargain stores in weeks to come, Zurilla said. Of the 10, eight reportedly are Dollar Bargains.

Problems with merchandising Dollar Bargains units, a closeout chain founded some four years ago, was another factor leading to bankruptcy, Zurilla said.

Glosser also intends to shutter its flagship store, a conventional department store opened 82 years ago in downtown Johnstown.

Glosser now operates 23 Gee Bee Discount Stores and 44 Dollar Bargain units, as well as the department store. In a restructuring that began last August, Glosser closed eight Dollar Bargain units and fired 50 to 75 employees, Zurilla said, reducing total employees to about 2,500.

In its U.S. Bankruptcy court filing in Pittsburgh, Glosser Brothers listed assets of $70.6 million and liabilities of $63.7 million. In addition, G.B. Holdings, a corporation formed to take Glosser private, listed assets of $6 million and liabilities of $19.4 million.

In a 1987 interview, former chairman Alvin Glosser told *DSN* that chains such as his had to expand in order to fend off larger chains them.

Now, Glosser is looking for someone to buy it with the help of investment bankers Bear, Stearns & Co., Zurilla said. He blamed, in part, unprofitable store expansion for its financial woes.

Electronic Retailing Forum Features K mart's Jones

SAN FRANCISCO — Russell Jones, director of marketing support for K mart, will discuss the discounter's electronic retailing activities next month at Touche Ross' Electronic Retailing 89 conference.

The conference will be held May 30 through June 1 at the Atlanta Marriott Marquis Hotel, Atlanta.

Jones will describe K mart's involvement with PRODIGY, the interactive computer shopping and information service, and with in-store merchandising technology at the conference's luncheon Wednesday, May 31.

A Thursday morning breakfast briefing on PRODIGY will be presented by Harry E. Smith, the service's vice president of product marketing.

Other participants include representatives from retailers like Sears, Herman's Sporting Goods, Neiman-Marcus, B. Dalton and Avon, teleshopping services like QVC, Shop TV, U.S. Videotel, CompuServe, Comp-U-Card and Host Gift USA, and technology suppliers like Video Cart, Check Robot, Knogo North America and Bell Atlantic.

Presentations will cover interactive and broadcast home shopping, in-store merchandising, advertising and promotion, fashion testing, and technology overviews.

Information and reservations are available from Teri Elniski, Conference Director, Touche Ross. Phone: (415) 781-9570.

JCPenney Pulls Plug on Telaction

By Arthur Markowitz

SCHAUMBURG, Ill. — JCPenney has disconnected Telaction, its interactive teleshopping service, dealing a setback to the concept which is now being pursued by just one company, GTE, through its Main Street project.

Telaction was closed down April 7 when JCPenney couldn't interest any other company to invest in the further development and proposed national rollout of the cable shopping service. The retailer spent about $106 million to develop Telaction during the past six years.

The mixed reading on Telaction's closing was summed up by Gary H. Arlen, editor-publisher of *Electronic Shopping News*, a monthly newsletter that tracks electronic retailing developments. He said JCPenney's move "casts a pall" on interactive teleshopping, but "lots of other companies in the next few years will try to find a way to bring interactive shopping to fruition as this type of retailing seems to serve some need for both retailers and consumers."

Telaction executives feel they have achieved a major accomplishment despite JCPenney's terminating the service and the prevailing impression among security analysts and the media that the venture was a failure.

"We did something never done before—proved that consumers would shop interactively via cable TV without the need for special equipment in the home," said Mary Dale Walters, Telaction's manager of public relations.

She pointed to the high rate of shopping—13 percent of the homes with access to Telaction made purchases—the $60 average sale and the growing trend for viewers to shop several times a month as examples of consumer's acceptance of the teleshopping concept.

Telaction, at its demise, was available to 30,000 homes on two cable systems in seven Chicago suburbs, up from 4,000 households when it was launched early last year in one Chicago suburb. But its reach was far short of what JCPenney had projected when Telac-

(Continued on page 98)

Retailer/Vendor Commitment to Quick Response

Commitment/ Measurement Categories	Stage I No Involvement		Stage II Aware of Importance		Stage III Initiate Pilot Plan		Stage IV Roll Out Program		Stage V Complete Program	
	Retailer	Vendor	Retailer	Vendor	Retailer	Vendor	Retailer	Vendor	Retailer	Vendor
Bar Code Marking	2%	0%	13%	5%	15%	15%	31%	37%	39%	43%
Use EDI for Communication	6	0	13	8	35	42	42	41	4	9
Bar Code Case Marking	8	5	31	20	19	27	34	27	8	21
Third Party EDI Catalog to Receive Bar Codes	13	13	17	24	33	25	31	23	6	15
Establish Three-Way Partnership	10	12	29	24	19	36	40	22	2	6

VICS surveyed retailers and vendors at its Chief Executive Officers Conference in Dallas last month on where each company stood in its use of the Quick Response technologies: bar coding, EDI transmission, case marking, use of third party EDI catalogs to receive UPC numbers and finally, establishment of a three-way QR program. The figures, which are the percentages of the respondents, show that companies' involvement with QR grows as they learn how to use the technologies. See story page 79.

Source: VICS

Toymaker Shipments Slip—Sales, Profits Grow

NEW YORK — Toy retailers and vendors were heartened by news that the flagging industry turned itself around last year.

Toymaker profits reversed directions from a combined loss of $120 million for publicly traded companies in 1987 to combined profits of $120 million in 1988, reported the Toy Manufacturers of America.

Shipments of toys in 1988 dipped 0.5 percent in unit volume, TMA reported, although dollar volume increased 3.9 percent to $8.55 billion from $8.23 billion in 1987. The figures indicate an increase in unit prices from a combination of expected inflationary increases on similar toys as well as customers' willingness to buy higher ticket toys.

Retail sales rose to $12.75 billion last year from $12.5 billion in 1987.

Retail figures exclude soaring sales of electronic toys, the big toy news for 1988. For the first time, TMA included in its annual report on estimated sales a separate category for electronic hardware and games: $1.89 billion at wholesale for 1988.

Conditioned in part by the sellout at many chains of $100 Nintendo action sets, customers appear ready once more to buy big ticket items, said Peter Hayes, chairman and chief executive officer of Child World, which bought the Susie Scribble doll. Sales of $89 and $99 talking dolls did poorly last year, Hayes said, in favor of $4 Mutant Ninja Turtle action figures.

"You have to sell a lot of Ninja Turtles to equal one $89 doll," said Hayes.

Nintendo, which declined to attend the Toy Fair this year, cast a long shadow over the event, even in absentia.

Sales of traditional toys piggybacked on Nintendo last year, Hayes said. "When we were in stock with Nintendo, other toy sales increased. When we were out of stock with Nintendo, other sales declined."

On the other hand, Nintendo is catching the blame

Toy Industry Shipments, 1988

Category	Dollar Sales (In Millions) 1988	Dollar Sales (In Millions) 1987	Percent Change	Unit Sales (In Millions) 1988	Unit Sales (In Millions) 1987	Percent Change
Infant/Preschool	$ 867	$ 776	11.7%	$ 166	$ 167	(0.6%)
Dolls	966	867	11.4	121	119	1.7
Plush	687	1,174	(41.5)	99	193	(48.7)
Figures	523	702	(25.5)	115	173	(33.5)
Guns	80	96	(16.7)	13	12	8.3
Vehicles	1,276	971	31.4	213	189	12.7
Ride-Ons (Excl. Bikes)	608	632	(3.8)	30	30	0
Games & Puzzles	950	830	14.5	205	193	6.2
Activity Toys	1,382	1,138	21.4	510	447	14.1
All Other Toys	1,207	1,041	15.9	220	177	24.3
Total Industry	**$8,546**	**$8,227**	**3.9%**	**$1,692**	**$1,700**	**(0.5%)**
TV Video Games*	1,890	NA	—	52	NA	—

Toymakers think they have recovered from their 1987 industry slump. In wholesale dollar value, toy shipments rose 3.9 percent last year to $8.55 billion from $8.23 billion in 1987. Unit shipments fell fractionally, however, indicating that higher price points produced the increase in dollar volume. Retail sales rose to $12.75 billion in 1988 from $12.5 billion. Both wholesale and retail dollar volumes exclude video games (hardware and software), a renewed category that logged $1.89 billion worth of wholesale shipments last year. Although industry leader Nintendo views itself as a consumer electronics vendor and spurned February's Toy Fair in New York, the Toy Manufacturers of America have recognized the video game threat to conventional toy sales by starting to track video game volume for the first time.

NA—not available
**New category for 1988*

Source: Toy Manufacturers of America

Toy shipments recovered in '88 from the previous year's slump. Plush, however, saw shipments fall by 48.7 percent.

from Huffy Bicycles for part of an expected decline in total industry bicycle sales to 10 million this year from 12 million in 1988. Kids are staying home playing video games more and riding bikes less, a Huffy representative said.

At this year's fair, a new talking doll, Susie Scribbles, bears signs of becoming a big hit—at a suggested retail of $129. Its inventor, Henry Garfinkel of Edison, N.J., claims to have written $200 million in orders during the fair for the doll, which can talk in five languages and draw programmed sketches.

At that figure, sales of Susie and her male counterpart, Sandy, would equal the entire estimated 1988 sales of downsized Coleco and its Cabbage Patch line.

Coleco, after selling its East Hartford, Conn., headquarters, slashing headquarters payroll to 140 from 666 and closing two factories, has cut enough fat to turn a profit in 1989 at the $200 million sales level, said Brian Clarke, president and chief executive officer. "Everybody's become more bottom-line focused. Previously, toy manufacturers were focused on sales volume.

"Such prudence is healthy until the industry recovers," Clarke added, even though it has tempered creativity. Companies are taking fewer high-flying risks, he said.

Before Coleco can emerge from Chapter 11 bankruptcy, however, it must persuade creditors to go along with its reorganization plan filed last month. Creditors are objecting to plans to pay them in Coleco stock, rather than cash, Clarke said.

In good news for lovers of Teddy Ruxpin, Worlds of Wonder has found an investor, Eli Jacobs, to purchase it in bankruptcy. Another of 1988's problem children, WOW announced the buyout deal the day before the Toy Fair closed, but declined to disclose terms of the deal.

The proposed management team of WOW includes Franklyn S. Barry Jr., former president of Fisher-Price.

WOW expects to file its reorganization plan shortly and emerge from Chapter 11 as early as this May.

The problem category for 1988 turned out to be plush toys. Unit shipments of musical, electronic and traditional plush fell almost in half, by 48.7 percent, TMA reported. Another troubled category was action figures, with shipments down by a third in 1988, 33.5 percent.

The big gainers in shipment terms were activity toys, up 14.1 percent; vehicles, up 12.7 percent; and all other, up 24.3 percent. The all other category consists of foam sports, water and pool, audio/visual, children's furniture, electronic learning aids and sports activities.

Sears Tests New Market with High-End Power Tool Brands

CHICAGO — In a move into hardware brands, Sears plans to handle professional quality power tools from Skil and Ryobi—and possibly Black & Decker and Makita.

Sears may introduce the new power tool brands in two Indiana test stores as early as mid-May, a Ryobi marketing source said.

In addition, Sears plans to start testing Dutch Boy paint in Philadelphia and Chicago stores.

Makita still is negotiating with Sears to take on a 10-sku line of its tools, said a marketing representative on duty at its Home Center Show booth.

One of the 10 items is a Makita cordless drill that retails for $129 to $139, he said. All of the power tools are high-end products designed for tradesman, he said. They wouldn't be duplicates of Craftsman's consumer-level tools.

"Sears will appeal to customers it hasn't been serving with Craftsman products," he said.

A Skil rep at the show confirmed that Sears will take on about eight sku's from its line, including Skil saws, priced in the $90 to $175 range.

Sears is adding an 11-sku line of Ryobi sanders, drills and screw guns, marketing director James Ippolito said. They will appear on shelves possibly as early as mid-May in Indiana Sears stores in Merrillville and Castleton Square outside of Indianapolis.

Castleton Square was one of the stores where Sears tested its Brand Central concept in appliances and electronics.

If the test goes as expected, Sears will put brand power tools into 40 more stores by Christmas and into 90 to 100 more by next spring, Ippolito said.

The four brands won't directly compete, item for item, Ippolito said. Instead, each will fit into individual product and price niches.

Ryobi, Itasca, Ill., recently bought the power tool division of Singer Companies, which supplies Sears with its private label Craftsman consumer-level, hand-held power tools. Skil provides Sears with Craftsman label stationary tools, such as bench saws.

Sears still is considering whether to take on specialty tools from B&D, said Tom Sulentic, vice president, special markets. The type of tool might be its right-angle drill that retails for about $200. B&D provides Sears with Craftsman label garden tools, such as hedge trimmers.

About half of Sears' 824 hardware departments already carry B&D's burglar alarm system, the Home Protector, Sulentic said.

A store level hardware source in Merrillville said that B&D and Skil tools are coming and that Sears still is negotiating with Makita.

Next month, Sears will begin revamping and expanding the hardware department at Merrillville. "It will be torn up for a while."

At the Castleton Square store, a hardware source said she was unaware of new tool brands to be added. But in paints, Red Devil, Rust-Oleum and Olympic Stain products recently arrived without notice, she said. "They came in as a surprise."

The store already carries a B&D shop vacuum, she said.

Sherwin-Williams, which produces Dutch Boy paint, refused to comment on the move into Sears. But a show representative said the introduction will begin with stores in Philadelphia and Chicago. The timing of the introduction is undetermined.

Sears declined to comment on what brands it plans to introduce when it begins testing what it calls a "power format" in paint and hardware.

More Retailers Making the QR Connection

NEW YORK — The commitment of discounters and other retailers to Quick Response has been growing, spurred by the increasing awareness of the costs and benefits of this technology to both merchants and manufacturers.

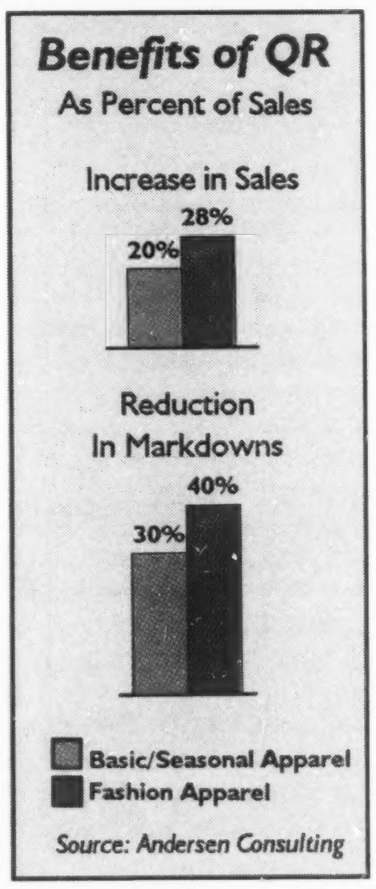
This fact is evident from a number of surveys on retailers' involvement with Quick Response and from presentations by merchants and manufacturers last month at two conferences in Dallas on this technology.

But while retailers are becoming more committed to QR, they often start out implementing this technology haphazardly and hesitantly. This changes over time to a planned approached as retailers' become more educated in executing QR.

The same seems to hold for manufacturers.

At its Chief Executive Officer conference in Dallas last month VICS (Voluntary Interindustry Communications Standards) surveyed retailers and manufacturers on where the attending executives thought their companies were in realizing Quick Response.

The responses showed that retailers' and manufacturers' commitment levels grew after companies initiated pilot programs testing the various QR technologies. Once a firm learned about a specific technology such as electronic data interchange, it had a strong commitment to implement that QR move.



Retailers' projected bar code scanning and EDI use can be gauged by a recent study Touche Ross conducted for the National Retail Merchants Association.

Its key findings included retailers' intention "to dramatically increase" their point-of-sale scanning in the next two years from about 20 percent of the respondents to more than 75 percent.

Retailers also plan to "significantly increase their use of EDI in the future," but "the major barrier preventing the widespread implementation of EDI is lack of vendor support."

More than 50 percent of the retailers scanning use the price lookup feature of this technology. The study found that 57 percent of the discounters currently scanning use PLU.

Just as important retailers expect to use bar codes for a number of non-POS functions. These areas include warehouse functions, shelf stocking purposes and inbound/outbound shipping, the study noted.

EDI, meanwhile, is seen as speeding up the reorder cycle to obtain just-in-time deliveries. VICS ANSI X.12 will be the favored EDI protocol, with third party "mailbox" service cited as the implementation approach.

VICS, meanwhile, sponsored a recent Andersen Consulting study on general merchandise manufacturers current and future use of UPC and EDI. It concluded that "the majority of the vendors who implemented EDI or UPC did so without an understanding or even an awareness of the costs or benefits of QR."

The extent of manufacturers involvement with the two basic QR technologies was evident from that study. It reported that about 23,300 vendors or 36 percent of the total number of domestic general merchandise vendors mark their goods with UPC. The majority of them (61 percent) UPC mark over 50 percent of their goods.

Ten percent of the vendors surveyed exchange data with retailers using EDI to some degree, with 5 percent using the VICS EDI standard.

Within two years, another 21 percent of the manufacturers anticipate exchanging data electronically. This increased manufacturer involvement with EDI should defuse retailers' charge of limited vendor support for EDI and result in more merchandising sending orders and receiving shopping notices using this technology.

The most common function among manufacturers using VICS EDI is to exchange purchase orders (71 percent) and invoices (38 percent).

The future also looks bright for another QR technology that is starting to come into widespread play—shipping container marking.

The Andersen study found that 29 percent of the vendors are placing bar coded labels on containers, with about half of the manufacturers labeling between 75 percent and 100 percent of the packages they ship.

While QR use is growing, the main impact, so far, is among the larger retailers and manufacturers. The two Dallas meetings sounded a common theme: everyone should jump on the QR bandwagon to reduce costs, stay competitive and even remain in business. The second motif was the need for retailers, manufacturers and vendor suppliers to form a partnership, as only this three-way relationship will result in QR working to the fullest, enabling all the players to benefit.

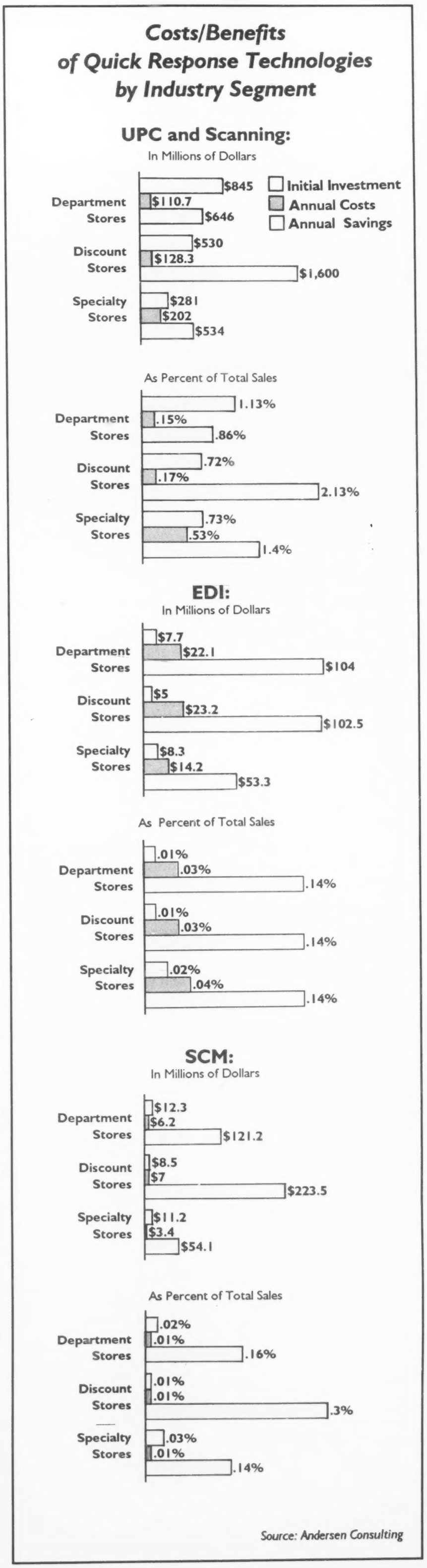
The two VICS studies, one each analyzing the costs and benefits of implementing QR for retailers and for manufacturers, were designed to overcome fears about this technology. They were distributed at both Dallas conferences as VICS' core education drive (see charts this page for retailer information).

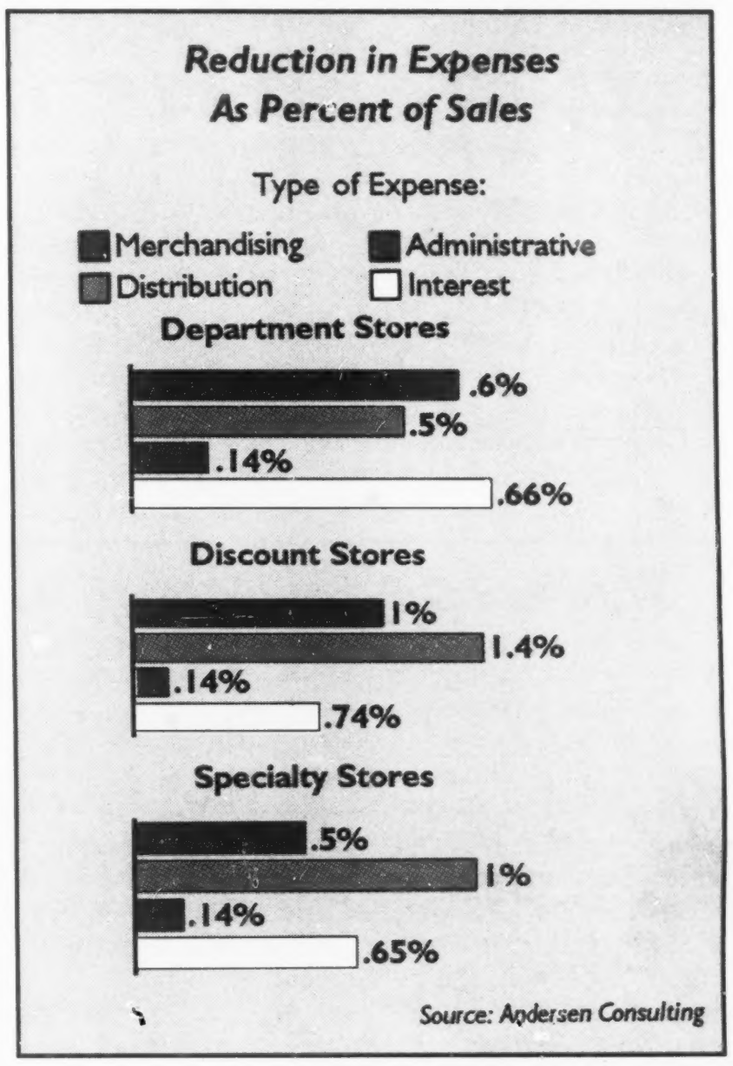
Kurt Salmon Associates carried out VICS' study on QR's impact on manufacturers. That report shattered the widely held belief that QR is good only for giant companies, concluding that all vendors, no matter their size, "gain similar strong paybacks." It also warned that when the coming seven-year switch to QR is finished, 70 percent of the firms will take over 100 percent of the consumer products market, a massive $20 billion-plus transfer of market share to QR-driven vendors.

Milliken & Co. has been involved with QR for years—its president Roger Milliken is considered the father of QR—and the firm's experience was cited as an example of the benefits that can accrue to other companies.

Andy Vecchione, director of QR, told the QuickResponse 89 conference, co-sponsored by VICS and AIM (Automatic Identification Manufacturers Inc.), that this technology enables the textile manufacturer to keep retailers in-stock on the best selling merchandise while reducing the need to mark down slow moving items.

He said retailers using QR could increase sales by 25 percent while they reduced their inventory by the same amount. Sales increases of 100 percent to 125 percent aren't unusual, he added.





The VICS-sponsored study, "Costs and Benefits to Retailers of Implementing Quick Response and Supporting Technologies," conducted by Andersen Consulting, reports results in either of two ways. The dollar figures represent the total cost for an entire retail segment, while the percentage figures depict the cost as a percentage of sales for an individual company.

JCPenney Pulls Plug on its Interactive TV Shopping Venture

(Continued from page 4)
tion was first publicly detailed in February 1987 by its president Stuart MacIntire, who said the service would be available to 125,000 Chicago households by the 1987 holiday season.

Walters reported that 77 percent of the 30,000 households had looked at Telaction, 40 percent of the viewers had signed up to access the service, and the 13 percent buying merchandise was a higher ratio than the purchase rate for mail order catalogs.

About 60 percent of the purchases were for groceries supplied by food wholesaler Nash-Finch and 40 percent for general merchandise, the ratio Telaction had projected. But the non-food portion was much higher during the recent holiday season, she added.

Trade observers contend that Telaction's closing raises questions about the viability of interactive cable shopping and even of the entire interactive shopping concept. They pointed to Main Street still being in a test stage in 100 homes in the Boston suburb of Newton, at least a year behind a development schedule that called for it to be in 500 homes in three test markets by now. Main Street is due to be tested in Cerritos, Calif., some time this year when the Apollo CableVision system starts operations, but has dropped plans for a test in the Philadelphia market.

They also cite the past failure of interactive computer ventures like Viewtron and the limited number of people that are subscribers to the three major current computer services. These are PRODIGY, which is basically a shopping application now in national rollout with about 50,000 subscribers, and two information services that also provide some shopping options: CompuServe, with 500,000 members, and GEnie with about 50,000 subscribers.

GTE "didn't feel it was appropriate to comment" on Telaction's closing, a spokeswoman said. "We are very pleased with Main Street's results so far," she added, but declined to elaborate.

A Prodigy Service Co. spokesman said, "we're disappointed to hear about Telaction. We feel the more companies that are involved in this [interactive selling], the more people will know about it."

JCPenney pulled the plug on Telaction when Kidder, Peabody and Co., "after an extensive search for partners" didn't find any company willing to provide additional equity capital for Telaction.

JCPenney vice chairman Robert B. Gill said, "our original intent was to provide start-up capital" to develop Telaction, but that "continued operation and expansion would be too costly for JCPenney to undertake on its own." The retailer needed about $50 million to launch Telaction in other markets, *Electronic Shopping News* reported.

The retailer sought a partner, rather than a buyer, for Telaction as it wanted to retain an interest in what it viewed as a potentially profitable venture. JCPenney didn't want to look foolish in case it sold Telaction and then another owner made it a success, one source said.

Gill said Telaction's closing "doesn't reflect a disenchantment with home shopping via cable. The JCPenney catalog division now features selected merchandise through Shop TV under a restructured agreement." That teleshopper has been relaunched as the JCPenney Television Shopping Channel (see *DSN*, April 3, pg. 1).

JCPenney plans to retain Telaction as an internal project at its Dallas headquarters, maintaining a working model in case a company wants to license or buy the service, Walters said. Telaction was based on technology devised by and licensed from Cableshare, a Canadian company. But Telaction had developed more advanced, lower-cost technology which was due to be exploited for its proposed expansion, she added.

JCPenney can retain its exclusive right to use and/or license Cableshare's technology for retailing worldwide by paying the Canadian firm either a royalty based on Telaction's gross revenues or an undisclosed minimum fee, with payment due by the end of this year. Cableshare executives said the retailer hadn't indicated whether it would retain its rights to Telaction.

Trade sources said Telaction fizzled because of a combination of factors: JCPenney's failure to gain commitments from cable operators to carry the service while it was being developed, poor first generation technology and the high costs of overcoming these twin obstacles.

Walters disputed this interpretation of Telaction's closing, contending that the service "had a strong relationship with cable companies since November 1987 when Ed Merlis became head of its cable affiliation division. No operator wanted to be the first to air the service."

An executive with one cable operator carrying Telaction said that no one wanted to be on the "leading edge," as there wasn't any way to know if the technology would work and if viewers would buy products offered through the service.

Walters said that since Telaction started, cable operator interest had grown and it had recently obtained commitments from two other Chicago systems that would have added 135,000 households.

The first generation technology, she noted, "worked and was ahead of anything else in the market." Telaction has developed even more advanced technology and was looking into further improvements using digital transmission and TV signal compression that would have reduced costs and made the service more efficient and attractive to viewers, she added.

Cable operations provided Telaction free to its subscribers. Walters declined to detail Telaction's charge to retailers or what it paid cable firms to carry its service beyond noting that "what we had to pay to the cable operations had to be competitive with what they received from other home shopping services."

The cable systems didn't receive any percentage of sales made through Telaction, but rather flat rates based on subscribers enrolling for the service and for purchases. "It means that the cable companies will receive a higher return in the first year they carry Telaction than in subsequent years," she said.

Best Revises Region Setup

(Continued from page 3)
by a 40-person team composed of three different executives, district hard lines merchandisers, district jewelry merchandisers and regional merchandise managers, that visited the 193 showrooms and 31 jewelry specialty stores in their region.

About half of the 40 executives were offered other posts within Best while the others were terminated, receiving severance pay and outplacement assistance.

Now overseeeing the field merchandising activities of the store managers and district managers are two field merchandising directors, a newly created post. They coordinate merchandising, display, advertising, sales planning, distribution and communication activities between the stores and the corporate departments handling these functions.

The posts were filled by Dan Younkman, who covers the Northern half of the country, and Patrick Henkel, who covers the Southern portion. This geographic division ensures that each field merchandising director works with stores in every region.

With the elimination of the hard lines, jewelry and regional merchandising posts, the store managers now report just to district managers. The district realignment includes grouping Best Jewelry stores for the first time with the showrooms, merging Kansas City, Mo., and St. Louis into one district and creating a third district for Los Angeles.

Lee Hawks, senior vice president of operations, said the changes make managing the districts easier. It's faster to fly from Kansas City to St. Louis than it is to drive between many of the Southern California stores, he said.

The showrooms and jewelry were grouped together so that the two types of stores can have greater access to each other's merchandising expertise, he added.

The regional realignment includes a 16-unit jewelry store-only district in the East region. This district contains just the heavy concentration of jewelry stores in the Washington, D.C., area.

The regional changes involve closing the former Midwest region, shutting its headquarters and reapportioning the stores among the new West and Central regions. San Francisco and Dallas continue as headquarters for these two regions as does Richmond for the East region.

Bob Thompson, who headed the former Midwest region, was appointed vice president of operational support. He supervises retail administration, operations administration, presentation and field merchandising.

Best's new store operating structure includes the Eastern region with nine districts encompassing 61 showrooms and 21 jewelry stores; the Central region with 60 showrooms and six jewelry stores in seven districts; and the Western region, 10 districts with 72 showrooms and nine jewelry stores.

Off-Price Mall to Open Opposite Carrefour

(Continued from page 3)
foray into the Northeast.

Reading China & Glass, Reading, Pa., is another of the anchors. A fixture in the Reading outlet mall industry, Reading China will compete directly with Carrefour in housewares brands such as Farberware and Anchor Hocking. It also offers Lenox, Royal Doulton and Noritake china and Waterford crystal at claimed discounts of up to 75 percent.

Another discount anchor is Ports, an off-price apparel and soft home chain owned by Boscov's, a highly promotional department store chain also based in Reading.

In addition, Sears and JCPenney each will help anchor the mall with a surplus store offering closeout merchandise at discount prices.

Other major stores of at least 20,000 square feet include: apparel off-pricer T.J. Maxx and Bed 'N Bath, specializing in off-price linens and soft home.

In sporting goods, Modell's will offer new competition from its mall store, as will The Original I. Goldberg, a Philadelphia chain concentrating on hunting and camping equipment.

Factory outlet stores will include Manhattan, Gitano and Benetton, said Howard Biel, executive vice president of the mall developer, Western Development Washington, D.C.

About a third of the stores will be factory outlets, a third specialty off-price retailers and a third service retailers such as food and entertainment, Biel said.

Such competition in general merchandise "will be healthy for both Carrefour and Franklin Mills," Biel said.

Franklin Mills will draw an estimated 15 million to 16 million visitors per year, he estimated. They will be "serious shoppers" who will generate "complementary traffic."

Carrefour "pioneered" the retail use of the land, once a 325-acre racetrack, when it opened its hypermarket in February 1987, Biel said.

Sales for Carrefour have limped along at an estimated $50 million to $60 million annually, whereas analysts estimate it needs sales of about $100 million to break even.

Carrefour obviously expects a symbiotic relationship with such discount complexes because it signed two deals to occupy retail space next to Western's off-price developments. In Philadelphia, it bought 36 acres for its hypermarket from Western. Carrefour and Franklin Mills share a common entrance road and only their parking lots separate them.

And in Brookhaven, N.Y., where Carrefour bought 69 acres for what was to be its first American hypermarket, it had a deal to sell half of it to Western for an strip center of factory outlet and off-price specialty stores.

The deal fell through last November, however, when the Brookhaven zoning board rezoned the land for office and residential use, barring retail use. In February, Carrefour sued the Long Island town in an attempt to get the courts to reverse that decision (see *DSN*, April 3, page 2).

For additional retail use, Western also sold 19 of its original 325 acres for a mall specializing in home improvement and decor right next to Franklin Mills and Carrefour. Hechinger, the home center chain based in Landover, Md., will anchor that mall.

Franklin Mills is the second off-price mall Western has developed. In 1985, it opened Potomac Mills, a 1.2 million-square-foot mall south of Washington. Noting its success, Biel said Western plans to expand it to 1.8 million square feet by late 1991.

And, Western is building an even bigger off-price mall, Sawgrass Mills, west of Fort Lauderdale, Fla., Biel said. It will provide 2 million square feet when it opens in the late summer of 1990, he said.

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